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FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 2725
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RUCPDOG/USDOC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
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INFO RUEHFK/AMCONSUL FUKUOKA 6756
RUEHNH/AMCONSUL NAHA 9141
RUEHNAG/AMCONSUL NAGOYA 5241
RUEHKS0/AMCONSUL SAPPORO 7352
RUEHOK/AMCONSUL OSAKA KOBE 0422
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STATE FOR I/RF, PA/PR/FPC/W, IIP/G/EA, EAP/PD, R/MR,
EAP/J, EAP/P, PM;
USTR FOR PUBLIC AFFAIRS OFFICE;
TREASURY FOR OASIA/IMI;
SECDEF FOR OASD/PA;
CP BUTLER OKINAWA FOR AREA FIELD OFFICE;
PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR

E.O. 12958: N/A

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SUBJECT: TOKYO MEDIA REACTION - U.S. ECONOMY

11. LEAD STORIES: Top stories on Thursday morning included the Upper House rejection on Wednesday of the second GOJ nominee for Bank of Japan governor.

12. "U.S. Economic Management Dependent on Rate Cuts"
The business-oriented Nikkei editorialized (3/20): "The U.S. appears to be taking full-scale money-easing measures to cope with the economic slowdown and financial confusion there.... While concern about inflation remains, the U.S. continues to be dependent on the Federal Reserve Board in dealing with the economy.... The effect of an additional rate cut may be limited, as it may not be able to supply enough funds to the financial institutions that are facing credit uncertainty. The recent rescue of Bear Stearns by both the government and private sector demonstrates the seriousness of the financial crisis.... The U.S. may be forced to inject public funds into financial institutions to deal with the subprime mortgage problem, which is the source of the trouble."

SCHIEFFER